

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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February 25, 2002

Mr. Craig G. DeKany, Reimbursement Manager
HCR – Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

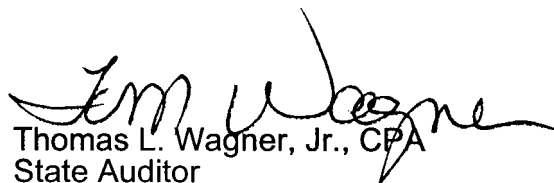
Re: AC# 3-OKW-J9 – Health Care & Retirement Corporation of America
d/b/a Oakmont West Nursing Home

Dear Mr. DeKany:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**HEALTH CARE & RETIREMENT
CORPORATION OF AMERICA
D/B/A OAKMONT WEST NURSING HOME**

GREENVILLE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-OKW-J9**

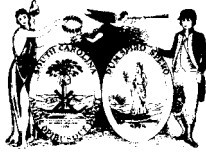
**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA**

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 26, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Health Care & Retirement Corporation of America d/b/a Oakmont West Nursing Home, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Health Care & Retirement Corporation of America d/b/a Oakmont West Nursing Home is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

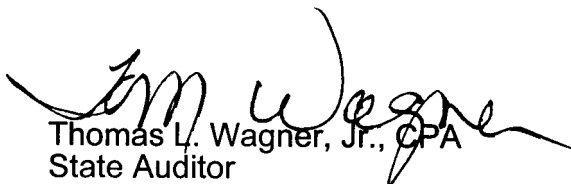
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Health Care & Retirement Corporation of America d/b/a Oakmont West Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Health Care & Retirement Corporation of America d/b/a Oakmont West Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 26, 2001

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

OAKMONT WEST NURSING HOME
Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-OKW-J9

	Beginning <u>10/01/00</u>
Interim reimbursement rate (1)	\$95.28
Adjusted reimbursement rate	<u>93.23</u>
Decrease in reimbursement rate	\$ <u><u>2.05</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

OAKMONT WEST NURSING HOME
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 2000
AC# 3-OKW-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$53.74	\$46.47	
Dietary		10.17	10.12	
Laundry/Housekeeping/Maint.		<u>9.04</u>	<u>8.88</u>	
Subtotal	\$ <u>-</u>	72.95	65.47	\$65.47
Administration & Med. Rec.	<u>\$2.46</u>	<u>8.09</u>	<u>10.55</u>	<u>8.09</u>
Subtotal		81.04	<u>\$76.02</u>	73.56
<u>Costs Not Subject to Standards:</u>				
Utilities		1.97		1.97
Special Services		.19		.19
Medical Supplies & Oxygen		2.98		2.98
Taxes and Insurance		1.61		1.61
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$87.79</u>		80.31
Inflation Factor (3.20%)				2.57
Cost of Capital				11.32
Cost of Capital Limitation				(5.76)
Profit Incentive (Max. 3.5% of Allowable Cost)				2.46
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				(.71)
Nurse Aide Staffing Add-On 10/01/99				1.77
Nurse Aide Staffing Add-On 10/01/00				<u>1.27</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$93.23</u>

OAKMONT WEST NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-OKW-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Adjustments</u>		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,338,563	\$ 2,006 (6) 545 (7) 331 (7) 23,093 (8)	\$ 70 (5) 363 (5) 1,372 (6) 1,883 (9) 784 (9) 6,362 (10)	\$2,353,704
Dietary	448,679	671 (9)	2,683 (5) 661 (6) 278 (7) 309 (10)	445,419
Laundry	109,190	3,222 (9)	-	112,412
Housekeeping	157,725	215 (6) 1,365 (11)	134 (5) 710 (7) 1,363 (12)	157,098
Maintenance	127,665	193 (10) 1,082 (11)	1,200 (5) 249 (9) 1,075 (12) 150 (13)	126,266
Administration & Medical Records	369,281	3,046 (7) 288 (9) 15,003 (10) 3,355 (11)	2,290 (5) 6,473 (6) 23,093 (8) 475 (9) 3,985 (12) 220 (13)	354,437
Utilities	101,057	855 (11)	9,544 (2) 216 (5) 4,885 (9) 55 (10) 735 (12)	86,477
Special Services	12,808	320 (13)	1 (10) 4,910 (14)	8,217

OAKMONT WEST NURSING HOME
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1999
 AC# 3-OKW-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	155,530	-	3,623 (4) 1,902 (5) 2,918 (7) 9,289 (9) 1,976 (10) 5,085 (13)	130,737
Taxes and Insurance	96,141	818 (11)	23,303 (3) 2,704 (10) 615 (12)	70,337
Legal Fees	2,290	24 (11)	2,246 (10) 1 (12)	67
Cost of Capital	492,144	3,497 (1) 3,728 (9) 2,121 (11) <u>5,368 (15)</u>	9,055 (10) 2,164 (12)	495,639
Subtotal	4,411,073	71,146	141,409	4,340,810
Ancillary	180,432	-	-	180,432
Non-Allowable	455,068	23,303 (3) 3,623 (4) 9,656 (9) 7,512 (10) 9,938 (12) 5,135 (13) <u>4,910 (14)</u>	3,497 (1) 16 (7) 9,620 (11) 5,368 (15)	500,644
Total Operating Expenses	<u>\$5,046,573</u>	<u>\$135,223</u>	<u>\$159,910</u>	<u>\$5,021,886</u>
Total Patient Days	<u>43,800</u>	<u>-</u>	<u>-</u>	<u>43,800</u>
Total Beds	<u>125</u>			

OAKMONT WEST NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-OKW-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$64,378	
	Other Equity	23,429	
	Cost of Capital	3,497	
	Fixed Assets		\$87,807
	Nonallowable		3,497
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Intercompany - Oakmont East	6,810	
	Intercompany - Oakmont Union	2,734	
	Utilities		9,544
	To remove expense applicable to related facilities HIM-15-1, Section 2304		
3	Nonallowable	23,303	
	Taxes and Insurance		23,303
	To adjust liability insurance expense HIM-15-1, Section 2304		
4	Nonallowable	3,623	
	Medical Supplies		3,623
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
5	Retained Earnings	8,858	
	Nursing		70
	Restorative		363
	Dietary		2,683
	Housekeeping		134
	Maintenance		1,200
	Administration		2,290
	Utilities		216
	Medical Supplies		1,902
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		

OAKMONT WEST NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-OKW-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Accrued Salaries	4,117	
	Retained Earnings	2,168	
	Restorative	2,006	
	Housekeeping	215	
	Nursing		1,372
	Dietary		661
	Administration		6,473
	To properly charge salaries applicable to prior and subsequent periods HIM-15-1, Section 2302.1		
7	Nursing	545	
	Restorative	331	
	Administration	3,046	
	Dietary		278
	Housekeeping		710
	Medical Supplies		2,918
	Nonallowable		16
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nursing	23,093	
	Administration		23,093
	To reclassify salaries to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
9	Dietary	671	
	Laundry	3,222	
	Administration	288	
	Cost of Capital	3,728	
	Nonallowable	9,656	
	Nursing		1,883
	Restorative		784
	Maintenance		249
	Medical Records		475
	Utilities		4,885
	Medical Supplies		9,289
	To adjust shared service allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

OAKMONT WEST NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-OKW-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Maintenance	193	
	Administration	15,003	
	Nonallowable	7,512	
	Nursing		6,362
	Dietary		309
	Legal		2,246
	Utilities		55
	Taxes and Insurance		2,704
	Medical Supplies		1,976
	Special Services		1
	Cost of Capital		9,055
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
11	Housekeeping	1,365	
	Maintenance	1,082	
	Administration	3,355	
	Legal	24	
	Utilities	855	
	Taxes and Insurance	818	
	Cost of Capital	2,121	
	Nonallowable		9,620
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		
12	Nonallowable	9,938	
	Housekeeping		1,363
	Maintenance		1,075
	Administration		3,985
	Legal		1
	Utilities		735
	Taxes and Insurance		615
	Cost of Capital		2,164
	To remove indirect cost applicable to a non-reimbursable cost center		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		

OAKMONT WEST NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-OKW-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Special Services	320	
	Nonallowable	5,135	
	Maintenance		150
	Administration		220
	Medical Supplies		5,085
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
14	Nonallowable	4,910	
	Special Services		4,910
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
15	Cost of Capital	5,368	
	Nonallowable		5,368
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$247,717</u>	<u>\$247,717</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

OAKMONT WEST NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-OKW-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>125</u>
Deemed Asset Value	4,520,625
Improvements Since 1981	2,426,968
Accumulated Depreciation at 9/30/99	<u>(1,683,933)</u>
Deemed Depreciated Value	5,263,660
Market Rate of Return	<u>.060</u>
Total Annual Return	315,820
Return Applicable to Non-Reimbursable Cost Centers	(2,739)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>567</u>
Allowable Annual Return	313,648
Depreciation Expense	186,382
Amortization Expense	1,288
Capital Related Income Offsets	(3,515)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,164)</u>
Allowable Cost of Capital Expense	495,639
Total Patient Days (Minimum 96% Occupancy)	<u>43,800</u>
Cost of Capital Per Diem	\$ <u><u>11.32</u></u>

OAKMONT WEST NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-OKW-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 1.57
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>5.56</u>
Reimbursable Cost of Capital Per Diem	\$ 5.56
Cost of Capital Per Diem	<u>11.32</u>
Cost of Capital Per Diem Limitation	\$ <u>(5.76)</u>

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